



VECIMA

FIRST QUARTER RESULTS

Management's Discussion and Analysis of

VECIMA NETWORKS INC.

For the three months ended September 30, 2019 and 2018

(unaudited)

VECIMA NETWORKS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

NOVEMBER 12, 2019

This Management's Discussion and Analysis (MD&A) provides a review of significant developments that have affected the performance of Vecima Networks Inc. ("Vecima" or the "Company") during the three months ended September 30, 2019.

Our MD&A supplements, but does not form part of, our unaudited interim condensed consolidated financial statements and related notes for the three months ended September 30, 2019. Consequently, the following discussion and analysis of the financial condition and results of operations should be read in conjunction with the unaudited interim condensed consolidated financial statements and accompanying notes for the three months ended September 30, 2019 and September 30, 2018 which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. Our MD&A also includes certain non-IFRS financial measures which we use as supplemental indicators of our operating performance and financial position, as well as for internal planning purposes.

The content of this MD&A contains forward-looking statements, which are subject to risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements. Forward-looking statements include, but are not limited to our expectations related to general economic conditions and market trends and their anticipated effects on our business segments, as well as our expectations related to customer demand. For additional information related to forward-looking statements and material risks associated with them, please see the "Additional Information - Forward-Looking Information" section of this MD&A.

Additional information regarding Vecima, including our Annual Information Form, can be found on SEDAR at www.sedar.com.

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Company Overview

Vecima Networks Inc. (TSX:VCM) is a Canadian company founded in 1988 in Saskatoon, Saskatchewan. Today, Vecima has a global presence with offices in Vancouver, Atlanta, Tokyo, Amsterdam, London, and a manufacturing facility in Saskatoon. Vecima's corporate head office is located in Victoria, British Columbia.

Vecima is a global leader focused on developing integrated hardware and scalable software solutions for broadband access, content delivery, and telematics. We enable the world's leading innovators to advance, connect, entertain, and analyze. We build technologies that transform content delivery and storage, enable high-capacity broadband network access, and streamline data analytics.

Vecima's business is organized into three segments:

- 1) **Video and Broadband Solutions** (VBS) includes platforms and modules that process data from the cable network and deliver it in formats suitable to be consumed on televisions and Internet devices.
 - a. Terrace and TerraceQAM are two key product families in this segment which meet the needs of the business services vertical including MDU (multi-dwelling units) and Hospitality (including hotels, motels and resorts).
 - b. Our next-generation of platforms, under the Entra™ product family, addresses the network migration to a Distributed Access Architecture (as described below under Industry Developments). The Entra Distributed Access Architecture Platform is Vecima's realization of the next generation of hybrid fiber-coaxial (HFC) nodes as optical transport moves away from analog radio frequency (RF) distribution to all-digital Ethernet. Our goal is to bring an independent, agnostic and future-proof Distributed Access solution to market. Our products are designed to work with every core vendor and to be upgradable to Full Duplex (FDX), Extended Spectrum DOCSIS (ESD), Passive Optical Network (PON) or whatever the future of ultra high-speed networks require.

The Entra Distributed Access Architecture (DAA) family of products is comprised of:

- Multiple variants of the Entra Access Node that can operate as Remote PHY or Remote MAC-PHY and provides a modular platform for deployment of access technologies;
- The Entra Remote PHY Monitor (RPM) that offers unified control software for management, service assurance and monitoring of access nodes;
- The Entra Legacy QAM Adapter (LQA) that provides a simple solution to adapt existing video QAM infrastructure for distributed access
- The Entra Video QAM Manager (VQM) that allows for the integration of video in a DAA environment within existing infrastructure, maximizing efficiency of fiber usage while reducing operational costs; and
- The Entra Interactive Video Controller (IVC) that supports both next-generation DAA Remote PHY and traditional RF networks providing essential two-way network connectivity for QAM set-top boxes that are heavily deployed and in service today.

- 2) **Content Delivery and Storage** (CDS) includes solutions and software, under the MediaScaleX™ and ContentAgent™ brands, for industries and customers that focus on ingesting, producing, storing, delivering and streaming video content for live linear, Video On Demand (VOD), network Digital Video Recorder (nDVR) and time-shifted TV services.

The Content Delivery and Storage business focuses specifically on multiple service operators' ("MSO") video content delivery and storage needs under the product categories: Storage, Cache, Origin and Transcode.

- 3) **Telematics** provides fleet managers with the key information and analytics they require to optimally manage their mobile and fixed assets under the Contigo, Nero Global Tracking, and FleetLynx brands.

Industry Developments

Video and Broadband Solutions

Over the last several years, the cable industry has been transitioning towards Distributed Access Architectures (DAA) under the latest DOCSIS 3.1 standard. In calendar 2019, some top tier players have initiated a gradual roll out of this new platform with further large-scale deployments anticipated over the next several years. DOCSIS 3.1 is a critical evolution for the industry in that it unlocks gigabit broadband speeds over existing coaxial cable by allowing data transmission up to 10 Gigabits per second (Gbps) for download speed and 3 Gbps for upload speed. The speed provided by DOCSIS 3.1 is comparable to that of fiber optic connections, thereby allowing cable operators to upgrade their systems, but without the added infrastructure cost. Global cable operators expect to benefit from a flexible migration given that DOCSIS 3.1 modems can coexist with older versions and build on top of their previously deployed capacity. The higher efficiency of DOCSIS 3.1 technology also enables significant cost-per-bit reductions relative to DOCSIS 3.0 network solutions.

Content Delivery and Storage

Global demand for Internet Protocol (IP) video content delivery and storage is growing, driven by the rapidly increasing consumption of IP video as consumers turn to streaming services and cable operators make vast arrays of new IP video content available to subscribers. Service providers are also pursuing new DVR opportunities that shift delivery and storage away from traditional set-top storage to cloud based models. According to the latest industry analysis in the Cisco Visual Networking Index™, consumer video on demand traffic is expected to double by 2022 with IP video comprising 82% of all IP traffic.

Telematics

As asset tracking technology broadens beyond fleet management to new initiatives associated with asset management for asset-intensive industries such as manufacturing, construction, energy and aerospace, Vecima is developing products to capitalize on segments of these markets.

Our Strategy

Our growth strategy focuses on the development of our core technologies, including next generation platforms such as our new DOCSIS 3.1 platform, Entra, as well as new IP video storage and distribution technologies being developed under the MediaScaleX brand within the Content Delivery and Storage segment. We will continue to pursue profitable growth both organically and when appropriate, through value-enhancing strategic acquisitions.

First Quarter 2020 Highlights

Financial and Corporate Highlights

- Generated revenue of \$20.1 million and ended the quarter in strong financial position with \$41.3 million in cash
- Achieved gross profit of \$10.5 million and a gross profit margin of 52%, as compared to gross profit of \$10.2 million and a gross profit margin of 49% in the fourth quarter of fiscal 2019
- Adopted IFRS 16 as of the first quarter with immaterial net income impact
- Generated Adjusted EBITDA of \$1.8 million as compared to Adjusted EBITDA of \$1.9 million in the first quarter of fiscal 2019
- Declared a dividend of \$0.055 per share payable on December 23, 2019 to shareholders of record on November 29, 2019. This represents \$26.0 million returned to shareholders through regular dividends
- Subsequent to the quarter end, made the following management changes:
 - On October 26, 2019, Dale Booth was promoted to Chief Financial Officer, succeeding John Hanna who accepted a senior executive position with another organization. Mr. Booth previously served as Vecima's Vice-President of Finance; and

- On October 18, 2019, Dean Rockwell was promoted to Executive Vice-President. Previously Vecima's Senior Vice-President and General Manager, Content Delivery and Storage, his role has expanded, to encompass senior responsibility for strategic planning and human resources, adding to his continued oversight of mergers and acquisition and Vecima's Content Delivery and Storage business.

Video and Broadband Solutions

- Next Generation Entra Family
 - Intensified engagement with Tier 1 customer following previously announced signing of Master Purchase Agreement for Entra Remote PHY Access Nodes and made significant progress in approval process and deployment plan with this customer
 - Entra Video QAM Manager honoured with a 2019 Diamond Technology Review award by Broadband Technology Report (BTR) receiving 4 diamonds representing an "Excellent product with technical features and performance that provide clear and substantial benefits"
 - Subsequent to the quarter end, received first order for recently launched Entra Video QAM Manager from a Tier 2 MSO
 - Furthered distributed access engagement with a Tier 1 MSO to include integrated proposals encompassing both DAA and IPTV deployments
- Further expansion of the Entra product ecosystem
 - Launched Entra Interactive Video Controller, a headend device that provides essential two-way network connectivity for heavily deployed set-top boxes enabling them to support Video on Demand, Switched Digital Video and other functionalities within both DAA and traditional RF network architectures
 - Early in October, announced an industry-leading and innovative, high-density DAA node with addition of the Entra EN8124 node which supports two Remote PHY Devices (RPD) in a single node to double both downstream and upstream capacity. Concurrently, achieved Viavi Gold Certification for the Entra Remote PHY node, enabling HFC quality measurement capabilities within the DAA architecture that are mission critical to MSOs.

Content Delivery and Storage

- Achieved 31% year-over-year revenue growth driven by new customers and expansion with existing customers
- Continued expansion into IPTV market with 20 operators now using Vecima platforms to deliver IP video
 - Signed an agreement for Content Delivery Network (CDN) deployment for an IPTV network with Tier 1 MSO operating across Latin America and the Caribbean
 - Conway Corporation, a North American cable provider, selected Vecima's MediaScaleX solution to power its new IPTV multiscreen service as it moves from QAM to IP delivery systems
 - Expanded our IP Linear and On Demand platform with European Tier 1
- Successfully integrated the newly acquired "ContentAgent" video ingest and delivery automation solutions business which was acquired by Vecima in May 2019. ContentAgent is used by world leading storytellers to author their media assets, orchestrating the entire workflow all the way from camera ingest to publishing
- MediaScaleX//Storage™ honoured with 2019 Broadband Technology Report (BTR) Diamond Technology Review award winning four Diamonds. MediaScaleX//Storage is a video-optimized, software-defined storage platform that is differentiated for massive scale IPTV with leading burst I/O performance and a hybrid flash and disk architecture that delivers flash performance at disk costs
- Initiated sales of a major software release upgrade with a world top-five MSO where MediaScaleX is deployed to provide on-demand video across over 75% of the operator's footprint. Sales to this customer are expected to be robust in FY20 as the upgrade program continues
- MediaScaleX ecosystem expanded to include new integration partners in customer premise equipment and back-office solutions, widening customer choice for IPTV

Telematics

- Continued incremental growth in fleet management and moveable assets market
- Increased penetration in the moveable assets market bringing in 6 new customers in the Restoration Industry, with over 2,000 assets being monitored through Bluetooth Low Energy (BLE) tags.

Outlook

The North American cable industry continues to prepare for the transition to a new architecture - Distributed Access Architecture (DAA) - with MSOs at various stages of planning. Vecima's Entra family of DAA products has been moving successfully through lab trials with a diverse mix of Tier 1, Tier 2 and Tier 3 MSOs. As previously announced we recently signed our first Master Purchase Agreement with a Tier 1 customer in September 2019 and our engagement with this customer continues to intensify. We anticipate initial sales of our Remote PHY nodes and Remote PHY Monitor products could commence in the first half of fiscal 2020. While initial sales are expected to be modest, momentum is expected to build as additional customers move closer to deployment. Demand for our legacy cable products is expected to continue to taper through fiscal 2020 as the industry evolves to the new technologies.

Our Content Delivery and Storage segment is positioned for growth in fiscal 2020. The combination of significant product enhancements to our MediaScaleX product family, a build-up of new customers in the latter part of fiscal 2019, and an expected shift to higher levels of capital spending by existing customers is expected to underpin robust demand for our IP video technologies. While sales growth is anticipated on a full-year basis, we note again that the Content Delivery and Storage segment is prone to significant quarter-to-quarter revenue variations related to the timing of large customer orders. We believe that the CDS segment has potential for over 20% sales growth in fiscal 2020 stemming from our pipeline of opportunities for migration to IP video networks including linear broadcast, cloud DVR and time-shifting.

In the Telematics segment, we anticipate incremental growth in demand from the fleet tracking market in fiscal 2020, along with gradual growth in demand for our newer movable asset tracking services.

Overall, we continue to position Vecima for industry leadership in the DAA market and the IP video content delivery and storage space. With a strong balance sheet, we are well positioned to pursue our product strategies while also continuing to assess attractive acquisitions that provide significant accretion and give us rapid access to technologies and differentiating features that help drive our growth and success.

Consolidated Results of Operations

Amounts are presented in thousands of Canadian dollars except percentages, employees, dividends and per share amounts. This information should be read in conjunction with our financial statements for the relevant periods, including the related notes, and the balance of this MD&A.

Consolidated Statements of Comprehensive Loss Data	Three months ended September 30,			
	2019		2018	
Sales	\$ 20,112	100 %	\$ 21,335	100 %
Cost of sales	9,638	48 %	10,144	48 %
Gross profit	10,474	52 %	11,191	52 %
Operating expenses				
Research and development ⁽¹⁾	5,068	25 %	4,604	21 %
Sales and marketing	3,746	18 %	3,200	15 %
General and administrative	3,981	20 %	4,003	19 %
Restructuring costs	-	- %	757	3 %
Share-based compensation	17	- %	34	- %
Other income	(10)	- %	(88)	- %
	12,802	63 %	12,510	58 %
Operating loss	(2,328)	(11)%	(1,319)	(6)%
Finance income	208	1 %	222	1 %
Foreign exchange gain (loss)	298	1 %	(517)	(2)%
Loss before taxes	(1,822)	(9)%	(1,614)	(7)%
Income tax recovery	(438)	(2)%	(518)	(2)%
Net loss	(1,384)	(7)%	(1,096)	(5)%
Other comprehensive income (loss)	223	1 %	(418)	(2)%
Comprehensive loss	\$ (1,161)	(6)%	\$ (1,514)	(7)%
Net loss per share⁽²⁾				
Basic	\$ (0.06)		\$ (0.05)	
Diluted	\$ (0.06)		\$ (0.05)	
Other Data				
Total research and development expenditures ⁽³⁾	\$ 6,053		\$ 7,806	
Adjusted EBITDA ⁽⁴⁾	\$ 1,785		\$ 1,933	
Adjusted earnings per share ⁽⁵⁾	\$ (0.06)		\$ (0.02)	
Number of employees ⁽⁶⁾	366		384	

(1) Net of investment tax credits and capitalized development costs.

(2) Based on weighted average number of common shares outstanding.

(3) See "Total Research and Development Expenditures".

(4) Adjusted EBITDA does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers. See "EBITDA and Adjusted EBITDA".

(5) Adjusted Earnings per Share does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers. See "Adjusted Earnings per Share".

(6) The number of employees is determined as of the end of the period.

Consolidated Statements of Financial Position (unaudited - in thousands of dollars except common share data)	September 30, 2019	June 30, 2019
Cash and cash equivalents	\$ 17,963	\$ 19,834
Short-term investments	\$ 23,369	\$ 24,569
Working capital	\$ 54,759	\$ 58,286
Total assets	\$ 203,444	\$ 200,770
Long-term debt ⁽¹⁾	\$ 5,701	\$ 1,729
Shareholders' equity	\$ 178,599	\$ 180,768
Number of common shares outstanding ⁽²⁾	22,370,087	22,362,031

⁽¹⁾Fiscal 2020 Long-term debt now includes lease liabilities per IFRS 16.

⁽²⁾Based on weighted average number of common shares outstanding.

Adjusted Net Income (Loss) and Adjusted Earnings (Loss) per Share

The following table reconciles net income for the period to adjusted net income as well as earnings per share to adjusted earnings per share. The term "adjusted net income" refers to net income or net loss as reported in the IFRS financial statements, excluding any amounts included in net income or net loss for gains and losses on the sale of non-core property, plant and equipment ("PP&E"), intangible assets, and assets held for sale, impairments of intangible assets, restructuring costs, and the tax effect of these adjusted items. We believe that adjusted net income and adjusted earnings per share provides supplemental information for management and our investors because they provide for the analysis of our results exclusive of certain items which do not directly correlate to our business of selling broadband access products, content delivery and storage products and services or supplying telematic services. Adjusted earnings and adjusted earnings per share do not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers.

Calculation of Adjusted Earnings Per Share (unaudited - in thousands of dollars except per share amounts)	Three months ended September 30,	
	2019	2018
Net loss	\$ (1,384)	\$ (1,096)
Restructuring costs, net of tax	-	558
Adjusted net loss	\$ (1,384)	\$ (538)
Loss per share	\$ (0.06)	\$ (0.05)
Restructuring costs, net of tax	-	0.03
Adjusted loss per share	\$ (0.06)	\$ (0.02)

Starting in Q4 fiscal 2019, we have changed our definition and calculation of adjusted net income and adjusted earnings per share to incorporate restructuring costs to the calculation of these measures. We believe this change will provide a more consistent determination as compared to other companies in our industry. We believe this consistency will enable management, investors and analysts to better assess the Company's main business activities as well as improve comparability to others within our industry.

EBITDA and Adjusted EBITDA

The following table reconciles net income for the period to EBITDA and Adjusted EBITDA. The term "EBITDA" refers to net income or net loss as reported in the IFRS financial statements, excluding any amounts included in net income or net loss for income taxes, interest expense, and depreciation and amortization for PP&E, deferred development and intangible assets. The term "Adjusted EBITDA" refers to EBITDA adjusted for: gains and losses on sale of PP&E, intangible assets, and assets held for sale; impairment of PP&E; impairment of deferred development costs and other intangible assets; restructuring costs; and share-based compensation expense. We believe that Adjusted EBITDA is useful supplemental information for management and for our investors because it provides for the analysis of our results exclusive of certain non-cash items and other items which do not directly correlate to our business of selling broadband access products, content delivery and storage products and services or supplying telematic services. Adjusted EBITDA is not a recognized measure under IFRS and, accordingly, investors are cautioned that Adjusted EBITDA should not be construed as an alternative to net income, determined in accordance with IFRS, or as an indicator of our financial performance or as a measure of our liquidity and cash flows.

The adoption of IFRS 16 impacted the calculation of EBITDA with depreciation of right-of-use assets increasing EBITDA by \$341 and interest on lease liabilities increasing EBITDA by \$61.

Calculation of Adjusted EBITDA	Three months ended September 30,	
	2019	2018
Net loss	\$ (1,384)	\$ (1,096)
Income tax recovery	(438)	(518)
Interest expense	80	24
Depreciation of PP&E	509	611
Depreciation of right-of-use asset	341	-
Amortization of deferred development costs	1,669	1,169
Amortization of intangible assets	977	941
EBITDA	1,754	1,131
Loss (gain) on sale of property, plant and equipment	14	11
Restructuring costs	-	757
Share-based compensation	17	34
Adjusted EBITDA	\$ 1,785	\$ 1,933
Adjusted EBITDA margin (%)	9 %	9 %

Total Research and Development Expenditures

The following table reconciles research and development expenses reported in accordance with IFRS as shown on the consolidated statements of comprehensive income (research and development) to our actual cash research and development expenditures (total research and development expenditure) below:

Calculation of Research and Development Expenditures	Three months ended September 30,	
	2019	2018
Research and development per statement of loss	\$ 5,068	\$ 4,604
Deferred development costs	2,650	4,343
Investment tax credits	38	28
Amortization of deferred development costs	(1,669)	(1,169)
Government grants	(34)	-
Total research and development expenditure	\$ 6,053	\$ 7,806
Percentage of sales	30 %	37 %

Summary of Quarterly Results of Operations

The following information has been derived from our consolidated financial statements for the three months ended September 30, fiscal 2020 and fiscal 2019 in accordance with IFRS. This information should be read in conjunction with those financial statements and their related notes as well as with the balance of this MD&A.

	2020		Fiscal Year 2019				Fiscal Year 2018			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2		
Sales	\$ 20,112	\$ 20,715	\$ 20,328	\$ 22,654	\$ 21,335	\$ 24,346	\$ 24,124	\$ 14,752		
Cost of sales	9,638	10,555	9,642	9,814	10,144	11,075	11,743	7,032		
Gross profit	10,474	10,160	10,686	12,840	11,191	13,271	12,381	7,720		
Operating expenses										
Research and development	5,068	5,006	4,797	4,567	4,604	4,427	4,466	3,045		
Sales and marketing	3,746	3,631	4,029	3,252	3,200	4,227	4,015	1,113		
General and administrative	3,981	4,340	4,247	4,006	4,003	3,979	4,119	2,540		
Impairment of intangible assets	-	-	-	-	-	22	-	-		
Restructuring costs	-	1,419	-	-	757	-	-	-		
Share-based compensation	17	10	28	40	34	31	22	14		
Other (income) expense	(10)	17	(69)	(278)	(88)	(92)	(54)	(89)		
	12,802	14,423	13,032	11,587	12,510	12,594	12,568	6,623		
Operating (loss) income	(2,328)	(4,263)	(2,346)	1,253	(1,319)	677	(187)	1,097		
Finance income	208	329	301	27	222	211	237	386		
Foreign exchange gain (loss)	298	(523)	(619)	1,593	(517)	454	846	300		
(Loss) income before income taxes	(1,822)	(4,457)	(2,664)	2,873	(1,614)	1,342	896	1,783		
Income tax (recovery) expense	(438)	(1,504)	(1,203)	823	(518)	554	194	454		
Net (loss) income from continuing operations	(1,384)	(2,953)	(1,461)	2,050	(1,096)	788	702	1,329		
Net (loss) income and comprehensive (loss) income from discontinued operations	-	-	-	-	-	(45)	1	1		
Net (loss) income	(1,384)	(2,953)	(1,461)	2,050	(1,096)	743	703	1,330		
Other comprehensive income (loss)	223	(460)	(584)	1,395	(418)	450	627	-		
Comprehensive (loss) income	\$ (1,161)	\$ (3,413)	\$ (2,045)	\$ 3,445	\$ (1,514)	\$ 1,193	\$ 1,330	\$ 1,330		
Net (loss) income per share										
Basic	\$ (0.06)	\$ (0.13)	\$ (0.06)	\$ 0.09	\$ (0.05)	\$ 0.03	\$ 0.03	\$ 0.06		
Diluted	\$ (0.06)	\$ (0.13)	\$ (0.06)	\$ 0.09	\$ (0.05)	\$ 0.03	\$ 0.03	\$ 0.06		
Adjusted EBITDA as reported	\$ 1,785	\$ 281	\$ 424	\$ 5,539	\$ 1,933	\$ 4,352	\$ 3,753	\$ 3,557		

Quarter-to-Quarter Sales Variances

There are many factors that contribute to the overall variances of our sales. Traditionally, one of the main factors has been that we continually develop new products to replace products that are reaching the end of their lifecycle. The timing of development can vary based on the size of the projects. The timing of regulatory certification and customer acceptance of new products can also affect the timing of sales.

Within the industry, spending by cable operators is impacted by new technology adoption such as the industry migration to DOCSIS 3.1. The budgeting cycles of larger cable operators can also result in quarter-to-quarter variability in customer orders around their budgeting season and installation schedules. We are currently experiencing a slowdown in demand for some of our legacy Video and Broadband Solutions products as customers complete their digital networks and migrate to DOCSIS 3.1. We expect our sales to recover as our new products in the DOCSIS 3.1 Entra platform are commercialized.

Our Content Delivery and Storage segment also contributes to variation in our quarterly sales. Quarterly sales fluctuations are typical of this business due to the timing of large customer orders. Demand for CDS solutions is also prone to seasonal demand fluctuations with the first quarter typically bringing slower demand levels than other quarters.

Segmented Information

Sales

Segment	Three months ended September 30,	
	2019	2018
Video and Broadband Solutions	\$ 7,462	\$ 11,345
Content Delivery and Storage	11,287	8,626
Telematics	1,363	1,364
Total sales	\$ 20,112	\$ 21,335

Three-Month Sales

We generated total sales of \$20.1 million in the first quarter of fiscal 2020, a 6% decrease compared to \$21.3 million in Q1 fiscal 2019 and 3% lower than the \$20.7 million generated in Q4 fiscal 2019. Year-over-year sales results reflect the anticipated decrease in Video and Broadband legacy product sales partially offset by an increase in Content Delivery and Storage sales.

The Video and Broadband Solutions segment generated sales of \$7.5 million in the first quarter of fiscal 2020 a decrease of 34% from \$11.3 million in Q1 fiscal 2019 but up 8% from \$6.9 million in Q4 fiscal 2019.

- We generated \$4.7 million of Terrace Family sales as compared to \$7.0 million in the same period last year and \$4.0 million in Q4 fiscal 2019. The 33% decrease in year-over-year sales reflects the lower sales of TC600E products overall, while the 16% quarter-over-quarter increase primarily reflects the timing of orders.
- First quarter fiscal 2020 sales of TerraceQAM increased to \$1.9 million, up 12% from \$1.7 million in both the first and the fourth quarter of fiscal 2019. While we see the potential for a further increase in demand for TerraceQAM in the second quarter of fiscal 2020, overall, we believe the need for new systems is nearing saturation and we are working with our customers on the next-generation platform.

Our Content Delivery and Storage segment increased in the first quarter of fiscal 2020 by 31% to \$11.3 million, from \$8.6 million in the same period last year, primarily reflecting the expansion of our customer base and strong demand for our IPTV solutions. While Q1 fiscal 2020 sales of \$11.3 million were lower than the \$12.5 million generated in Q4 fiscal 2019, this was a strong result for the seasonally slower Q1 period and reflects the benefit of new customers, as well as the timing of large orders. Segment sales for the Q1 fiscal 2020 period included \$7.3 million of product sales and \$4.0 million of services revenue.

Telematics sales were stable at \$1.4 million in the first quarter of fiscal 2020, as compared to \$1.4 million in Q1 fiscal 2019 but up slightly from sales of \$1.3 in Q4 fiscal 2019. Results for the quarter were in line with our expectations.

Cost of Sales

Cost of sales consists primarily of product manufacturing and assembly expenses, with component parts, employee and third party supplier costs representing a significant portion of these costs. Costs associated with Video and Broadband Solutions sales include related overhead, compensation, final assembly, quality assurance, inventory management costs, and sales commissions, as well as support costs and payments to contract manufacturers that perform printed circuit board assembly functions. Costs associated with Content Delivery and Storage sales include the cost of the computer systems sold, including amortization of software development costs, depreciation, labour, material, overhead and third-party product costs, as well as the salaries, benefits and other costs of the maintenance, service and help desk personnel associated with product installation, support activities and sales commissions. Costs associated with Telematics sales consist of hardware amortization, inventory management costs, order fulfillment, wireless fees, server hosting services, mapping licenses and sales commissions.

Gross Profit and Gross Margin

Segment	Three months ended September 30,	
	2019	2018
Video and Broadband Solutions	\$ 3,526	\$ 5,496
Content Delivery and Storage	5,970	4,773
Telematics	978	922
Total gross profit	\$ 10,474	\$ 11,191
Video and Broadband Solutions	47.3 %	48.4 %
Content Delivery and Storage	52.9 %	55.3 %
Telematics	71.8 %	67.6 %
Total gross margin	52.1 %	52.5 %

Three-Month Results

For the three months ended September 30, 2019, we achieved a gross margin of 52%, providing a total gross profit of \$10.5 million. This compares to a gross margin of 53% (total gross profit of \$11.2 million) in the same period last year, and 49% (total gross profit of \$10.2 million) Q4 fiscal 2019.

For the three months ended September 30, 2019, gross margin from the Video and Broadband Solutions segment was 47% (gross profit of \$3.5 million) as compared to 48% (gross profit of \$5.5 million) in Q1 fiscal 2019 and 45% (gross profit of \$3.1 million) in Q4 fiscal 2019. While first quarter gross margin remained stable year-over-year, gross profit declined as a result of lower sales partially offset by the weakening of the Canadian dollar relative to the U.S. dollar. Sequentially, gross margin improved in Q1 fiscal 2020 compared to Q4 fiscal 2019 as a result of lower raw material inventory allowances.

The Content Delivery and Storage segment generated a first quarter gross margin of 53% (gross profit of \$6.0 million), as compared to 55% (gross profit of \$4.8 million) in Q1 fiscal 2019 and 50% (gross profit of \$6.2 million) in Q4 fiscal 2019. The year-over-year change in gross margin reflects a higher percentage of storage and transcoding sales in the current period which are at a lower gross margin. Sequentially, gross margin improved in Q1 fiscal 2020 compared to Q4 fiscal 2019 as a result of favourable product mix.

Gross margin from the Telematics segment increased to 72% (gross profit of \$1.0 million) in the first quarter of fiscal 2020, from 68% (gross profit of \$0.9 million) in Q1 fiscal 2019. The year-over-year increase is mainly the result of lower beacon costs quarter-over-quarter.

Operating Expenses

Segment	Three months ended September 30,	
	2019	2018
Video and Broadband Solutions	\$ 5,638	\$ 6,595
Content Delivery and Storage	6,453	5,226
Telematics	711	689
Total operating expense	\$ 12,802	\$ 12,510

Three-Month Results

For the three months ended September 30, 2019, total operating expenses increased to \$12.8 million, from \$12.5 million in the same period last year. This primarily reflects higher operating expenses in the Content Delivery and Storage segment partially offset by a reduction in costs in the Video and Broadband Solutions segment.

Video and Broadband Solutions operating expenses decreased to \$5.6 million, from \$6.6 million in Q1 fiscal 2019. The year-over-year reduction mainly reflects lower restructuring costs as compared to the previous year, together with the realization of cost benefits related to last year's restructuring initiatives.

Content Delivery and Storage operating expenses were higher at \$6.5 million in Q1 fiscal 2020, as compared to \$5.2 million in Q1 fiscal 2019 and \$5.9 million in Q4 fiscal 2019. The increase in operating expenses reflects increased research and development expenses due to higher amortization of deferred development costs, the addition of operating costs from the newly acquired ContentAgent business, and higher trade show costs in the Q1 2020 period.

Telematics operating expenses of \$0.7 million were in line with \$0.7 million in Q1 fiscal 2019. On a sequential quarterly basis, Telematics operating expenses were \$0.1 million lower than the \$0.8 million recorded in Q4 fiscal 2019 reflecting a loss in Q4 fiscal 2019 on beacon disposals that did not repeat.

Research and development expenses for Q1 fiscal 2020, increased to \$5.1 million, or 25% of sales, from \$4.6 million, or 22% of sales in the same period of fiscal 2019. We continue to invest in research and development to support the launch of our new products. Until these products are in commercial production, the development costs are deferred to future periods. Total research and development costs before deferrals, amortization of deferred development costs and income tax credits for Q1 fiscal 2020 decreased to \$6.1 million, or 30% of sales, from \$7.8 million, or 37% of sales in Q1 fiscal 2019. The decrease was the result of lower staffing costs and subcontracting costs in the current-year quarter.

Sales and marketing expenses were \$3.7 million, or 19% of sales in Q1 fiscal 2020, as compared to \$3.2 million, or 15% of sales in the same period last year. Increased staffing costs and the addition of ContentAgent expenses were the main factors in this increase.

General and administrative expenses were flat at \$4.0 million in both Q1 fiscal 2020 Q1 fiscal 2019. The addition of expenses from the newly acquired ContentAgent business was offset by lower amortization expense year-over-year.

Restructuring costs were \$nil in Q1 fiscal 2020 compared to \$0.8 million in Q1 fiscal 2019. Prior-year costs represented severance costs related to the reorganization of our manufacturing operations.

Stock-based compensation expense decreased to \$0.02 million in Q1 fiscal 2020, from \$0.03 million in Q1 fiscal 2019.

Other (income) expense was lower year-over-year as a result of lower lease revenue in the current year.

Operating Loss

Segment Operating Loss	Three months ended September 30,	
	2019	2018
Video and Broadband Solutions	\$ (2,112)	\$ (1,099)
Content Delivery and Storage	(483)	(453)
Telematics	267	233
Total operating loss	\$ (2,328)	\$ (1,319)

Three-Month Results

We reported an operating loss of \$2.3 million in Q1 fiscal 2020, as compared to operating loss of \$1.3 million in Q1 fiscal 2019. The \$0.9 million change was mainly driven by the \$1.0 million decrease in contribution from the Video and Broadband Solutions partially offset by the \$0.1 million increase in contribution from the Telematics segment year-over-year.

The Video and Broadband Solutions segment reported a first quarter fiscal 2020 operating loss of \$2.1 million, as compared to an operating loss of \$1.1 million in Q1 fiscal 2019. The year-over-year decrease reflects the \$2.0 million decrease in gross profit partially offset by the \$1.0 million decrease in operating expenses.

Content Delivery and Storage reported a first quarter fiscal 2020 operating loss of \$0.5 million, as compared to an operating loss of \$0.5 million in the same period of fiscal 2019. The year-over-year change primarily reflects the \$1.2 million increase in operating expenses offset by the \$1.2 million increase in gross profit.

Telematics operating income increased to \$0.3 million in Q1 fiscal 2020, from \$0.2 million in Q1 fiscal 2019. This improvement reflects the \$0.1 million increase in gross profit year-over-year.

Finance income decreased slightly to \$0.21 million in Q1 fiscal 2020, from \$0.22 million in the same period last year.

Foreign exchange gain (loss) for the three months ended September 30, 2019 was a gain of \$0.3 million, as compared to a loss of \$0.5 million in the prior-year period.

Income tax recovery was \$0.4 million in Q1 fiscal 2020 as compared to \$0.5 million in Q1 fiscal 2019.

Net loss for Q1 fiscal 2020 was a net loss of \$1.4 million or \$0.06 per share as compared to net loss of \$1.1 million in Q1 fiscal 2019 or \$0.05 per share.

Other comprehensive income increased to \$0.2 million in Q1 fiscal 2020 as compared to other comprehensive loss of \$0.4 million in the same period in fiscal 2019. The year-over-year improvement reflects foreign exchange differences on the translation of the foreign operations of our Content Delivery and Storage segment to Canadian dollars.

Comprehensive loss for Q1 fiscal 2020 was \$1.2 million, as compared to a comprehensive loss of \$1.5 million in Q1 fiscal 2019. The change year-over-year is a result of the changes described above.

Operating Activities

For the three months ended September 30, 2019, cash flow from operating activities decreased to \$0.5 million, from \$0.7 million for the three months ended September 30, 2018. The \$0.2 million decrease reflects a \$0.8 million decrease in cash flow from non-cash working capital, and a \$0.6 million increase in operating cash flow. IFRS 16 increased net cash provided by operating activities by \$0.4 million as a result of depreciation of right-of-use assets and increased interest expense.

Investing Activities

For the three months ended September 30, 2019, cash flow used in investing activities decreased to \$1.9 million from cash provided by investing activities of \$0.4 million in the same period last year. This decrease reflects the net sale of short-term investments of \$1.2 million (Q1 fiscal 2019 - \$5.5 million), deferred development expenditures of \$2.7 million (Q1 fiscal 2019 - \$4.3 million), and the purchase of property, plant and equipment of \$0.4 million (Q1 fiscal 2019 - \$0.7 million).

Financing Activities

In the three months ended September 30, 2019, we repaid \$0.08 million of our long-term debt (Q1 fiscal 2019 - \$0.06 million repaid). We received proceeds from government grants of \$0.03 million (Q1 fiscal 2019 - \$nil) and we repaid lease liabilities of \$0.3 million (Q1 fiscal 2019 - \$nil). As a result of IFRS 16, lease liabilities are now reported under financing activities.

Liquidity and Capital Resources

We manage our liquidity and capital resources to ensure that there is sufficient cash to meet all financial commitments and obligations as they fall due. We believe that our current cash and short-term investments of \$41.3 million together with anticipated cash flow from operations will be sufficient to meet our working capital requirements and capital expenditure requirements for the foreseeable future.

As at September 30, 2019, we had access to our full revolving loan facility of \$14.0 million (\$14.0 million at June 30, 2019), of which \$nil was drawn as an operating line of credit (June 30, 2019 - \$nil was drawn). We had term credit of \$1.9 million as at September 30, 2019 (June 30, 2019 - \$2.2 million).

Capital expenditures for Q1 fiscal 2020 were \$0.4 million, compared to \$0.7 million in Q1 fiscal 2019.

Working Capital

Working capital represents current assets less current liabilities. Our working capital decreased to \$54.8 million at September 30, 2019, from \$58.3 million at June 30, 2019. The decrease is mainly a result of the dividend payable in Q1 fiscal 2020 and the changes resulting from the adoption of IFRS 16 which increased the current portion of long-term debt. We note that working capital balances can also be subject to significant swings from quarter to quarter. Our product shipments are "lumpy", reflecting the requirements of our major customers. It is not unusual to ship \$5 or \$6 million of product in a one-week period. If this level of sales occurs in the first week of a succeeding quarter, we would expect to experience an increase in inventory levels and a drop in receivables in the prior quarter. Other timing issues, like contracts with greater than 30 day payment terms, also affect working capital, particularly if shipments are backend weighted for a quarter.

Accounts receivable balance increased to \$15.4 million at September 30, 2019, from \$15.2 million at June 30, 2019. This increase reflects the timing of sales in Q1 fiscal 2020 as compared to Q4 fiscal 2019.

Income tax receivable balance increased to \$0.5 million at September 30, 2019 from \$0.4 million as at June 30, 2019. This small increase represents income tax receivable in the Content Delivery and Storage segment.

Inventories increased by \$0.4 million to \$13.1 million at September 30, 2019, from \$12.7 million as at June 30, 2019. The increase represents the ramp up of inventory related to our new product inventory. Finished goods inventories were \$6.0 million at September 30, 2019, compared to \$5.9 million at June 30, 2019. Raw material inventory was flat at \$5.5 million at September 30, 2019, compared to \$5.5 million at June 30, 2019. Work-in-process inventories increased to \$1.6 million as at September 30, 2019, from \$1.3 million at June 30, 2019. We manufacture and assemble products, with the result that inventory levels will be substantially higher than for other companies in the industry that outsource manufacturing and assembly.

Investment tax credits were \$24.9 million at September 30, 2019 up from \$24.4 million at June 30, 2019. For every dollar we spend on eligible research and development in Canada, we generate approximately fifteen cents in income tax credits. These credits are used to offset our income tax payable.

Accounts payable and accrued liabilities decreased to \$10.0 million at September 30, 2019 compared to \$11.7 million at June 30, 2019.

Long-term debt, including the current portion, was \$7.3 million at September 30, 2019 compared to \$2.0 million at June 30, 2019. The increase is a result of the adoption of IFRS 16 which requires the recording of contractual lease obligations.

Dividends

Declaration Date	Dividend Amount (per share)	Record Date	Payable Date
February 5, 2019	\$0.055	February 22, 2019	March 18, 2019
May 7, 2019	\$0.055	May 24, 2019	June 17, 2019
September 24, 2019	\$0.055	October 11, 2019	November 1, 2019
November 12, 2019	\$0.055	November 22, 2019	December 16, 2019

Contractual Obligations

Due to the adoption of IFRS 16, as of the transition date of July 1, 2019, the contractual lease obligations have been recorded as lease liabilities of \$5.7 million with corresponding right-of-use assets of \$5.1 million on our unaudited interim condensed consolidated statements of financial position. Lease liabilities recorded on our interim condensed consolidated statements of financial position, as at September 30, 2019 was \$5.4 million. Our lease liabilities do not include short-term leases and low-value asset leases, as permitted under IFRS 16; and are of nominal value.

As at September 30, 2019, our undiscounted future cash payments in respect of our lease liabilities is as follows: due within one year is \$1.6 million; due between 2 to 3 years is \$2.7 million; due between 4 to 5 years is \$1.6 million; and thereafter is \$nil.

Contingencies

In March 2017, we received a re-assessment from the CRA regarding the eligibility of certain Scientific Research and Experimental Development ("SR&ED") claims on our 2015 tax return. The CRA re-assessment would result in a reduction of SR&ED expenditures claimed of \$1.3 million (\$0.4 million tax affected). We and our advisors have reviewed the applicable tax law and believe our original treatment of these SR&ED claims was appropriate. We filed a Notice of Objection in regards to this matter in June 2017. The outcome of this matter cannot be determined at this time with reasonable certainty. The Company has reviewed this matter as at September 30, 2019, and no provision has been recognized in the financial statements.

Foreign Exchange

Approximately 96% of our revenues are denominated in U.S. dollars. We translate U.S. dollar sales to Canadian dollars on the date of delivery and subsequently when the accounts receivable is collected. If the U.S. dollar appreciates relative to the Canadian dollar after we collect the accounts receivable in U.S. dollars, we will receive more Canadian dollars when the U.S. dollars are converted to Canadian dollars in subsequent months. We also enjoy a natural hedge since the majority of our materials and components purchases are in U.S. dollars.

As at September 30, 2019, the exchange rate on the Canadian dollar relative to the U.S. dollar weakened to \$1.324 from \$1.313 as at June 30, 2019. This \$0.011 exchange difference increased the value of our \$45.1 million U.S. dollar net assets by approximately \$0.5 million Canadian.

Financial Instruments

We periodically enter into forward contracts to partially manage our exposure to currency fluctuations between Canadian and U.S. dollars. Forward contracts are entered into based on our projected requirements for converting U.S. to Canadian dollars. We do not recognize these contracts in the consolidated financial statements when they are entered into, nor do we account for them as hedges. Instead, the contracts are marked to fair value at each balance sheet date. Changes to fair value are recorded in income. The fair value of these contracts is included in accounts receivable when in an asset position or accounts payable when in a liability position.

As at September 30, 2019, we did not have any forward contracts (June 30, 2019 - \$nil).

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our financial performance or financial condition.

Transactions Between Related Parties

We had leased a building in Saskatoon under a 10-year lease from Dr. Surinder Kumar, the Chairman of Vecima. The lease was entered into in fiscal 2010 at prevailing market rates at that time and expired at the end of March 2019. The rental expense from this transaction was \$nil million for the three months ended September 30, 2019 (September 30, 2018 - \$0.2 million).

Proposed Transactions

There are no proposed asset or business acquisitions or dispositions that our Board of Directors have decided to proceed with or for which our senior management believes confirmation by the Board of Directors is probable.

Critical Accounting Estimates

The preparation of our interim condensed consolidated financial statements in conformity with IFRS requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Use of judgment and estimates are disclosed in Note 3 of the unaudited interim condensed consolidated financial statements for the three months ended September 30, 2019 as well as in the Business Combination section below in this MD&A.

Accounting Pronouncements and Standards

Adoption of New Accounting Standards in 2020

IFRS 16- Leases

Effective July 1, 2019, we adopted IFRS 16, which supersedes the previous accounting standards for leases, IAS 17 – Leases (IAS 17) and IFRIC 4 – Determining Whether an Arrangement Contains a Lease (IFRIC 4). IFRS 16 introduced a single accounting model for lessees. A lessee is now required to recognize and disclose on its statement of financial position, a right-of-use asset, representing its right to use the underlying leased asset, and a lease liability, representing its obligation to make lease payments. IFRS 16 does not substantially change lease accounting for lessors.

IFRIC 23 - Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23, which clarifies the application of the recognition and measurement requirements, in IAS 12 – Income Taxes, when there is uncertainty over income tax treatments. This interpretation is effective for annual reporting periods beginning on or after January 1, 2019, using a full retrospective approach. We adopted IFRIC 23 and determined that the application did not have a material impact on our condensed consolidated financial statements because our policies were in line with the standard.

Standards and Amendments to Standards Issued but not yet Effective

IFRS 3 - Business Combinations

In October 2018, the IASB issued an amendment to IFRS 3 – Business Combinations (IFRS 3). The amendment clarifies the definition of a business and assists entities to determine whether an acquisition is a business combination or an acquisition of a group of assets. The amendment emphasizes that the output of a business is to provide goods and services to customers and also to provide supplementary guidance. The amendment to IFRS 3 may effect whether the future acquisitions are accounted for as a business combination or asset acquisition, along with the resulting allocation of the purchase price between the identifiable assets acquired and goodwill. We will adopt the standard prospectively for acquisitions made on or after January 1, 2020. The effects, if any, of the amended standard on our financial performance and disclosure will be dependent on the facts and circumstances of any future acquisition transactions.

Disclosure Controls and Procedures

Disclosure controls and procedures were designed to provide reasonable assurance that material information relating to Vecima is made known by us to others, particularly during the period in which annual filings are being prepared, and information required to be disclosed by us in our annual filings, interim filings or other reports filed or submitted by us under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have evaluated the effectiveness of our disclosure controls and procedures as defined under rules adopted by the Canadian securities regulatory authorities. Based on that evaluation, our CEO and CFO have concluded that our disclosure controls and procedures were effective as at September 30, 2019.

Internal Control over Financial Reporting

Internal controls over financial reporting were designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with IFRS. There are inherent limitations to the effectiveness of any system of internal controls, including the possibility of human error and the circumvention or overriding of internal controls. Because of its inherent limitations, internal controls of financial reporting may not prevent or detect misstatements. Accordingly, even if internal controls are effective, they can only provide reasonable assurance of achieving their controls.

Our CEO and CFO have evaluated the effectiveness of the internal control over financial reporting as at September 30, 2019 in accordance with Internal Control - Integrated Framework (2013), published by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, our CEO and CFO have determined that the internal control over financial reporting is effective as at September 30, 2019. There has been no change in the internal controls over financial reporting that occurred during the period beginning on July 1, 2019 and ended on September 30, 2019 that has materially affected, or is reasonably likely to materially affect the Company's internal controls on financial reporting

Our CEO and CFO have limited the scope of their design of disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures of the ContentAgent business, which we acquired on May 31, 2019. We have accordingly availed ourselves of provision 3.3(1)(b) of National Instrument 52-109, which permits exclusion of this acquisition in the design and operating effectiveness assessment of our ICFR for a maximum period of 365 days from the end of the financial period in which the acquisition occurred.

The following summary financial information pertains to the ContentAgent acquisition that was included in our unaudited interim condensed consolidated financial statements for the period ended September 30, 2019:

Sales	\$	432
Net loss	\$	(176)
Current assets	\$	986
Non-current assets	\$	848
Current liabilities	\$	1,253
Non-current liabilities	\$	10

Business Combination

On May 31, 2019, we completed an acquisition of substantially all of the operating assets of ContentAgent, a software and solutions company specializing in video-ingest and delivery automation solutions for the media industry.

We determined and allocated the purchase price on acquisition to the tangible and intangible assets acquired and liabilities assumed as of the business combination date in accordance with IFRS 3 Business Combinations. The purchase price allocation process requires that we use significant estimates and assumptions, including fair value estimates, as of the acquisition date.

Goodwill recorded in connection with the acquisition is primarily attributable to: the expected future earnings potential as a result of expected synergies arising from the consolidation of ContentAgent and our existing business; expected growth in the underlying markets which ContentAgent serves; and the strength of the assembled workforce.

Legal Proceedings

From time to time, we may be involved in certain claims and litigation arising out of the ordinary course and conduct of business. Management assesses such claims and, if considered likely to result in a loss and, when the amount of the loss is quantifiable, a provision for the loss is made, based on management's assessment of the most likely outcome. We do not provide for claims for which the outcome is not determinable or claims where the amount of the loss cannot be reasonably estimated. Any settlements or awards under such claims are provided for when reasonably determinable.

If it becomes probable that we will be held liable for claims against our Company, we will recognize a provision during the period in which the change in probability occurs, which could be material to our consolidated statements of comprehensive income or consolidated statements of financial position.

Risk and Uncertainties

Our financial performance, share price, business prospects and financial condition are subject to numerous risks and uncertainties, and are affected by various factors outside the control of management. Prior to making any investment decision regarding Vecima, investors should carefully consider, among other things, the risks described herein (including the factors outlined under the heading "Forward-Looking Information" below) and the risk factors set forth in our Annual Information Form for our most recently completed fiscal year, which are incorporated by reference herein. These risks and uncertainties are not the only ones that we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business. If any of these risks occurs, our financial performance, share price, business prospects and financial condition could be materially adversely affected.

Vecima was founded by Dr. Surinder Kumar in 1988. Voting control of Vecima is held by Dr. Kumar through either direct or indirect ownership of the Company's common shares. As at September 30, 2019, Dr. Kumar collectively owned approximately 60.2% of our common shares outstanding. Each common share carries the right to one vote. We have no other classes of voting securities.

Outstanding Share Data

As at November 12, 2019, we had 22,392,387 common shares outstanding as well as stock options outstanding that are exercisable for an additional 476,200 common shares.

On December 17, 2018, we filed a Notice of Intention with the Toronto Stock Exchange to acquire for cancellation, by way of normal course issuer bid, up to 600,000 common shares of the Company. We acquired no common shares of Vecima for cancellation in Q1 fiscal 2020 and 10,356 common shares in fiscal 2019. The normal course issuer bid expires on December 19, 2019.

Additional Information

Financial Governance

Our management is responsible for the preparation and presentation of the consolidated financial statements and notes thereto and the MD&A. Additionally, it is management's responsibility to ensure that we comply with the laws and regulations applicable to our activities.

Our management is accountable to the Board, each member of which is elected annually by the shareholders of the Company. The Board is responsible for reviewing and approving the consolidated financial statements and the MD&A, after receiving the recommendation of the Audit Committee, which is composed of three directors all of whom are independent.

External auditors are appointed annually by the shareholders to conduct an audit of the annual consolidated financial statements in accordance with generally accepted auditing standards. The external auditors have complete access to the Audit Committee to discuss audit, financial reporting and related matters resulting from the annual audit, as well as to assist the members of the Audit Committee in discharging their responsibilities.

Forward-Looking Information

This MD&A contains "forward looking information" within the meaning of applicable securities laws. Forward looking information is generally identifiable by use of the words "believes", "may", "plans", "will", "anticipates", "intends", "could", "estimates", "expects", "forecasts", "projects" and similar expressions, and the negative of such expressions.

Forward-looking information in this MD&A includes but is not limited to statements that: we are currently experiencing a slowdown in demand for some of our legacy Video and Broadband Solutions products as customers complete their digital networks and migrate to DOCSIS 3.1 and we expect our sales to recover as our new products in the DOCSIS 3.1 Entra platform are commercialized; we believe that our customer's need for new systems is nearing saturation, and while we see the potential for a further increase in demand for TerraceQAM in the second quarter of 2020, overall, we believe the need for new systems is nearing saturation and we are working with our customers on the next generation platform; and we believe that our current cash and short-term investments of \$41.3 million together with anticipated cash flow from operations will be sufficient to meet our working capital requirements and capital expenditure requirements for the foreseeable future. Forward looking information also includes our Strategy, our Industry Developments and our Outlook in this MD&A.

In connection with the forward-looking information contained in this MD&A, we have made numerous assumptions, regarding, among other things: the strength of our balance sheet; the present or potential value of our core technologies, business operations and asset holdings; our ability to continue our relationships with a few key customers; our ability to deliver products associated with key contracts; our ability to manage our business and growth successfully; our ability to meet customers' requirements for manufacturing capacity; our ability to develop new products and enhance our existing products; our ability to expand current distribution channels and can develop new distribution channels; our ability to recruit and retain management and other qualified personnel crucial to our business; we are not required to change our pricing models to compete successfully; our third party suppliers and contract manufacturers upon which we rely continue to meet our needs; our intellectual property is not infringed upon; we are not subject to warranty or product liability claims that harm our business; our ability to successfully implement acquisitions; our ability to manage risks associated with our international operations; currency fluctuations do not adversely affect us; growth in our key markets continues; our ability to adapt to technological change, new products and standards; we are not subject to increased competition that has an adverse effect on our business; we are not subject to competition from new or existing technologies that adversely affect our business; we are not subject to any material new government regulation of our products; and, no third parties allege that we infringe on their intellectual property. While we consider these assumptions to be reasonable, these assumptions are inherently subject to significant uncertainties and contingencies.

There are known and unknown risk factors which could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward looking information contained in this MD&A. Known risk factors include, among others: our statement of financial position, as well as the value of our core technologies, business operations and asset holdings may be significantly weaker than we currently estimate; our operating results are expected to fluctuate; we derive a substantial part of our revenue from a few key customers; we may be unable to deliver products associated with key contracts; failure to manage our business or growth successfully may adversely affect our operating results; if we cannot meet our customers' requirements for manufacturing capacity, sales may suffer; our success depends on our ability to develop new products and enhance our existing products; we are dependent on the expansion of our current distribution channels and the development of new distribution channels; the budgeting cycles of larger cable operators can also result in quarter to quarter variability in customer orders generally large in volume, while availability of parts and production capacity can influence the timing of product deliveries; our ability to recruit and retain management and other qualified personnel is crucial to our business; if we are required to change our pricing models to compete successfully, our margins and operating results may be adversely affected; our reliance on third party suppliers and contract manufacturers reduces our control over our performance; if our intellectual property is not adequately protected, we may lose our competitive advantage; successful warranty or product liability claims could harm our business; acquisitions could divert management's attention and financial resources, may negatively affect our operating results and could cause significant dilution to shareholders; risks associated with our international operations; currency fluctuations may adversely affect us; growth in our key markets may not continue; our inability to adapt to technological change, new products and standards could harm our business; increased competition could have an adverse effect on our business; competition from new or existing technologies may adversely affect our business; government regulation of our products and new government regulation could harm our business; and, third parties may allege that we infringe on their intellectual property. A more complete discussion of the risks and uncertainties facing us is disclosed under the heading "Risks and Uncertainties" above and under the heading "Risk Factors" in our Annual Information Form for our most recently completed fiscal year, as well as in our continuous disclosure filings with Canadian securities regulatory authorities available at www.sedar.com. All forward looking information in this MD&A is qualified in its entirety by this cautionary statement and we disclaim any obligation to revise or update such forward looking information to reflect future results, events or developments, except as required by law.